

**CANADA MALTING CO.
LIMITED**



Annual Report



PURVIS FOR THE YEAR ENDING DECEMBER 31, 1940
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Board of Directors

GEO. BAILEY	JOHN P. HEIGHTON
ERIC S. CLARKE	WALTER C. LAIDLAW
J. E. GRANT	ARNOLD C. MATTHEWS
H. C. HATCH	L. M. McCARTHY
C. H. S. MICHIE	



Executive Officers

ARNOLD C. MATTHEWS	- - - - -	President
H. C. HATCH	- - - - -	Vice-President
ERIC S. CLARKE	- - - - -	Managing-Director
JOHN P. HEIGHTON	- - - - -	Secretary and Treasurer

Report of the Directors to the Shareholders of
CANADA MALTING CO., LIMITED
For the Fiscal Year ending December 31, 1940

The Board of Directors submits herewith Balance Sheet and Profit and Loss Statement for the twelve-months ending December 31, 1940, as certified to by the Auditors of the Company, Messrs. Price, Waterhouse & Co.

The net operating profit for the year, after deducting all expenses and providing for depreciation, but before provision for Income Taxes, amounted to \$717,982.80. The corresponding figure for the previous year was \$791,171.71.

There was provided for Income Taxes \$273,542.71, as compared with \$214,787.31 in 1939.

The income from investments in 1940 was \$78,995.19; in 1939 \$59,009.05, to which was added in that year \$16,611.02 profit on sale of securities, or a total of \$75,620.07. This resulted in a combined net profit in 1940 of \$523,435.28, and in 1939 \$652,004.47.

Your four plants were fully occupied during the year under review. There was a satisfactory increase in the volume of domestic business and a moderate decline in the export trade. Operating costs were higher than in 1939, and the margin of profit lower, which resulted in the smaller operating profit mentioned above.

Although certain outlets for export sales, notably the United Kingdom, have been interfered with, due to war conditions, your management, up to date, has been successful in developing new business to replace this loss. It is to be hoped that we will meet with the same success in this respect during the current year.

Your Company obtains payment in United States Currency for a large percentage of its foreign trade, which, of course, is desired by the Canadian Government. Furthermore, the two largest consumers of malt—the Brewing and Distilling Industries—contribute very substantially to the National Revenue.

There was expended on fixed assets the sum of \$821,978.60, the major portion of which represents the construction of approximately 1,250,000 bushels additional annual malting capacity at the Toronto plant, together with 525,000 bushels added grain storage. It might be observed that six-months from the date this construction commenced the new plant was in full operation. However, no benefit accrued to the 1940 profits relative to this added capacity.

The net working capital is \$3,441,098.43—a reduction of \$508,931.68 from the previous year, due to expenditure on fixed assets. The ratio of current assets to liabilities is nearly 7 to 1.

A question relative to Income Tax for the years 1935 to 1939, which had been under discussion with the Income Tax Department during this period, was brought to a conclusion in 1940. In this regard it will be noted that \$75,908.04, an amount provided in respect for prior years' Income Taxes and not now required, has been credited back to earned surplus.

Your plants have been maintained in first-class condition.

We wish to express our sincere appreciation to all employees for the fine spirit of co-operation shown by them throughout the year.

Respectfully submitted on behalf of the Board.

ARNOLD C. MATTHEWS,
President.

CANADA MALTING

Balance Sheet, 1940

ASSETS

CURRENT ASSETS:

Cash on hand and in bank	\$ 357,644.29	
Deposit with bankers, at interest	100,378.08	
Investment in marketable securities, at cost	1,187,431.97	
(Market value \$1,119,507.50)		
Accounts receivable, less reserve	515,954.90	
Inventories, as determined and certified to by responsible officers of the company:		
Malt, barley, etc.—on the basis of approximate cost, less reserve ..	\$1,792,843.60	
Coal, bags, etc.—on the basis of cost	74,132.92	1,866,976.52
		<u>\$4,028,385.76</u>

DOMINION OF CANADA BONDS, at cost: Deposited with Department of National Revenue	4,338.75
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GRAIN EXCHANGE SEATS AND MEMBERSHIP IN CLEARING HOUSE, at cost	16,700.00
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DEFERRED CHARGES:

Prepaid taxes, insurance, etc.	\$ 16,215.22	
Machinery repair parts and office supplies	10,000.00	
		<u>26,215.22</u>

FIXED ASSETS, based on appraised depreciated values as reported by Canadian Appraisal Company Limited as at June 25, 1927, plus subsequent additions at cost:

Land	\$ 242,532.81	
Buildings	\$2,998,983.32	
Plant and Equipment	2,382,889.93	
	<u>\$5,381,873.25</u>	
Less—Reserve for depreciation	2,226,568.60	3,155,304.65
		<u>3,397,837.46</u>
		<u><u>\$7,473,477.19</u></u>

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Canada Malting Co., Limited information and explanations which we have required; and we report that, in our correct view of the state of the company's affairs as at December 31, 1940, according to the books of the company.

TORONTO, February 18, 1941.

IG CO., LIMITED

December 31st, 1940

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 299,350.14
Reserve for Dominion and Provincial income taxes, excess profits tax, etc.	287,937.19
	<u>\$ 587,287.33</u>

CAPITAL AND SURPLUS:

Capital Stock—	
Represented by 198,972 shares with- out nominal or par value	\$4,441,960.00
(Authorized 200,000 shares)	
Capital Surplus (no change during the year)	797,676.01
	<u>\$5,239,636.01</u>
Earned Surplus (as per statement attached)	1,646,553.85
	<u>6,886,189.86</u>

Approved on behalf of the Board.

ERIC S. CLARKE, Director.

JOHN P. HEIGHTON, Director.

\$7,473,477.19

For the year ending December 31, 1940, and have been furnished with all the
opinion, the above balance sheet is properly drawn up so as to exhibit a true and
to the best of our information and the explanations given to us, and as shown by

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

CANADA MALTING CO., LIMITED

Statement of Profit and Loss and Earned Surplus For the Year Ending December 31, 1940



PROFIT AND LOSS

Particulars	Amount
Profit from operations for the year after charging all manufacturing, selling and general expenses, but before providing for the under-noted charges	\$ 980,329.73
Deduct—	
Directors' fees	\$ 1,875.00
Total amount paid or provided as counsel and solicitors' fees, and remuneration and fees of executive officers and directors who hold salaried positions in the company	60,471.93
	<u>62,346.93</u>
Operating Profit for the year, before providing for depreciation and income taxes	\$ 917,982.80
Deduct— Provision for depreciation	200,000.00
	<u>\$ 717,982.80</u>
Deduct— Provision for Dominion and Provincial income taxes and for excess profits tax	273,542.71
	<u>\$ 444,440.09</u>
Add—	
Income from investments, call loans and bank balances	78,995.19
	<u></u>
Net Profit for year ending December 31, 1940, carried to Earned Surplus	\$ 523,435.28

EARNED SURPLUS

Balance as at December 31, 1939	\$1,544,640.53
Add— Amount provided in respect of prior years' income taxes, not now required	75,908.04
	<u>\$1,620,548.57</u>
Add—	
Net profit for the year ending December 31, 1940	\$523,435.28
Deduct— Dividends paid	497,430.00
	<u>26,005.28</u>
Balance as at December 31, 1940	\$1,646,553.85

